

PROVINCE OF SASKATCHEWAN



08-09

ANNUAL REPORT

**MINISTRY OF
ENERGY AND RESOURCES**



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Letter of Transmittal – Minister



The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor
Province of Saskatchewan

May it please Your Honour:

I respectfully submit the Annual Report of the Saskatchewan Ministry of Energy and Resources for the fiscal year ending March 31, 2009.

The Government of Saskatchewan is committed to delivering and building on its promises to Saskatchewan people. One of those promises is a commitment to increased transparency and accountability.

A significant number of commitments were made to Saskatchewan people in the government's first year of holding office. These include commitments made in the election platform, the Fall 2008 Speech from the Throne, the Ministers' Mandate Letters, and the 2008-09 Budget Summary. The 2008-09 Annual Report demonstrates progress towards the commitments that relate to this ministry as of March 31, 2009.

Our government has defined its direction for ministries and has communicated this direction through a vision and goals released with the 2009-10 Budget. Ministries have aligned with this direction and have developed strategies and actions to help deliver on the government's plan for Saskatchewan – to be strong and steady in the years to come.

The initiatives pursued in 2008-09, and the results achieved, are communicated to the legislature and to the Saskatchewan people through this report. The results achieved within the government's first year provide a foundation for establishing priorities and influencing future activities. Therefore, the annual reports are not only an important accountability document, but they can also help to inform future planning and resource allocation in the upcoming years.

A handwritten signature in cursive script that reads "Bill Boyd". The signature is written in dark ink and is positioned above the printed name and title.

Bill Boyd
Minister of Energy and Resources

Letter of Transmittal – Deputy Minister



The Honourable Bill Boyd
Minister of Energy and Resources

Dear Sir:

I have the honour of submitting the Annual Report of the Saskatchewan Ministry of Energy and Resources for the fiscal year ending March 31, 2009.

Responsibility for both the accuracy of the information and the completeness and fairness of the presentation, including all disclosures, rests with ministry management. To the best of our knowledge and belief, the enclosed information is accurate in all respects and is reported in a manner that presents fairly the status of the Ministry of Energy and Resources.

Respectfully,

A handwritten signature in dark ink, appearing to read 'Kent Campbell'.

Kent Campbell
Deputy Minister
Energy and Resources

Introduction

This annual report presents the Ministry of Energy and Resources' activities and results for the fiscal year ending March 31, 2009. It reports on public commitments made and other key accomplishments of the ministry.

The reporting period is considered a transition year and as such the 2008-09 Annual Report follows a similar format to the 2007-08 Annual Report, and also includes the government's vision and three goals. With the release of Ministry Plans for 2009-10, ministries will report on publicly committed strategies and actions identified in their plans within the 2009-10 Annual Reports.

The 2008-09 Annual Report also sets the stage for the 2010-11 planning and budget process by providing an opportunity to assess the accomplishments, results, and lessons learned, and identifying how to build on past successes for the benefit of Saskatchewan people.

Alignment with Government's Direction

The ministry's 2008-09 Annual Report aligns with the government's vision and three goals:

Our Government's Vision

A secure and prosperous Saskatchewan, leading the country in economic and population growth, while providing a high quality of life for all.

Government's Goals

- Sustain economic growth for the benefit of Saskatchewan people, ensuring the economy is ready for growth and positioning Saskatchewan to meet the challenges of economic and population growth and development.
- Secure Saskatchewan as a safe place to live and raise a family where people are confident in their future, ensuring the people of Saskatchewan benefit from the growing economy.
- Keep the government's promises and fulfill the commitments of the election, operating with integrity and transparency, accountable to the people of Saskatchewan.

Together, all ministries and agencies support the achievement of the government's three goals, and work toward a secure and prosperous Saskatchewan.

Ministry Overview

The Ministry of Energy and Resources has been mandated to deliver on a number of government commitments related to Saskatchewan's extensive energy, mineral and forestry resources.

The ministry works to achieve full and sustainable development of Saskatchewan's energy, mineral and forestry resources, particularly conventional oil and oil sands resources. The ministry works with stakeholders to strengthen the forestry sector and works to enhance the value-added potential of Saskatchewan's natural resources.

Reorganization in 2008-09

A significant government reorganization occurred in November 2007 when the staff and divisions of the former Department of Industry and Resources were separated into two ministries: the Ministry of Energy and Resources and the Ministry of Enterprise and Innovation. Further restructuring in 2008-09 resulted in the move of the Economic Analysis Branch from the Resource and Energy Policy Division of Energy and Resources to Enterprise Saskatchewan.

The development of Saskatchewan's resource sectors is the focus of the ministry's efforts and was managed in the following major areas within the ministry in 2008-09:

Central Management and Services

- Includes executive management, central accommodation and administration, budget management, public affairs and information technology services.
- Provides for payments to the Ministry of Government Services for office accommodation, mail and photographic services, records management and minor renovation services.

Forestry Development

- Facilitates the growth and development of the provincial forest industry.
- Works in partnership with business, communities, governments and other provincial agencies to develop and deliver policies and programs related to the forest industry and value-added production in the forest sector.

Petroleum and Natural Gas

- Has responsibility for all areas related to provincial jurisdiction over oil and gas resources, including regulation, conservation, licensing, technical and environmental standards, public safety, data collection and distribution, Crown land sales, Crown royalties and freehold production taxes (royalties/taxes) and revenue and economic forecasts.

Resource and Energy Policy

- Monitors economic and market trends, policies, legislation and impacts on industry performance, and provides analysis and recommendations on issues such as royalty/tax systems and climate change.

Exploration and Geological Services

- Supports the exploration of petroleum resources and minerals in Saskatchewan. Exploration includes activity in the mineral and petroleum areas up until the point that production occurs.

Revenue and Program Services

- Manages numerous financial and program delivery services, including non-renewable resource revenue audits, resource royalty assessment and collection, mineral right administration services, land policy development and implementation services, and program efficiency review activities.

The ministry had a base of 262.1 full-time equivalent employee positions in 2008-09, a variance of 8.3 relative to the annual budget full-time equivalent count of 270.4. The ministry's full-time equivalent usage reflects approximately 3.7 per cent in vacancy management due to staffing turnovers.

Note: Full-time equivalent usage includes 2.3 of the 2.5 positions allotted for Minister's Office staff full-time equivalents.

The ministry has nine offices based in Regina, Estevan, Swift Current, Kindersley, Lloydminster, La Ronge and Creighton. Please see the appendix for more information.

Progress in 2008-09

Significant Achievements in 2008-09

A new annual record of \$1.120 billion was set on revenue from sales of Crown petroleum and natural gas rights in 2008, surpassing the billion dollar mark for the first time. The new annual record more than quadrupled the old annual record of \$250 million, set in 2007. The old single-sale record was broken with the February 2008 sale, and broken again in April 2008. The five largest single land sales in Saskatchewan's history were all held in 2008. This represented a clear vote of confidence in Saskatchewan's resource potential and investment climate.

On conventional oil and gas, Saskatchewan's land sale revenue exceeded Alberta's in 2008. There were 4,045 oil and gas wells drilled in Saskatchewan in 2008, a 17 per cent increase from 2007 and the second-best drilling year in Saskatchewan's history. A record number of horizontal wells were drilled in Saskatchewan in 2008. The 1,360 horizontal wells drilled in 2008 eclipsed the previous record of 903 set in 2007.

In November 2008 the National Energy Board and the ministry released a joint energy market assessment of the province's conventional natural gas potential. It concluded the combination of established reserves and undiscovered conventional natural gas potential gave Saskatchewan an estimated 150.6 billion cubic metres of remaining recoverable natural gas.

Exploration spending for Saskatchewan minerals has grown from \$31 million in 2003 to \$473 million in 2008. Saskatchewan's uranium deposits remain among the largest and richest in the world. Saskatchewan accounts for over 20 per cent of world uranium production. Saskatchewan is the largest potash producer in the world, accounting for roughly one-third of world production. The largest kimberlite field in the world has been identified in the Fort à la Corne area. Exploration spending on diamonds was \$73 million in 2008 (*commitment made in the Minister's Mandate Letter of November 21, 2007*).

The Mineral Exploration Tax Credit was reintroduced in November 2008 (*commitment made in the 2008-09 Budget Summary*).

The three companies that operate Saskatchewan's 10 potash mines committed to \$9.3 billion in expansion of existing mines over the next 12 years.

Saskatchewan hosted the annual federal-provincial meeting of the Council of Energy and Mines Ministers from across Canada in September 2008. Under the Council of Energy and Mines Ministers, Saskatchewan began work with federal and provincial counterparts in 2008-09 to better document the impacts of the difficulties in the mining/exploration industries as a result of lower commodity prices and difficulties in the equity markets.

Saskatchewan became a member of the Interstate Oil and Gas Compact Commission (IOGCC) in May 2008. IOGCC represents 38 American states, five provinces, and three other countries. Its broad purpose is to promote the conservation and efficient recovery of oil and gas, while protecting health, safety and the environment (*commitment made in the Minister's Mandate Letter of November 21, 2007*).

Progress by Key Resource Sectors

Petroleum and Natural Gas

Results

- The ministry examined potential regulatory and administrative changes in consultation with the oil and gas industry. The forms and guidelines related to licensing a pipeline in Saskatchewan were updated and clarified. The ministry introduced a number of amendments to *The Crown Oil and Gas Royalty Regulations* and *The Freehold Oil and Gas Production Tax Regulations*. The amendments are aimed at simplifying the administration of the oil and gas royalty/tax systems by eliminating the Crown-acquired mineral ownership category for royalty/tax purposes and clarifying a number of royalty/tax related issues. The well licensing approval process and application forms have been streamlined to facilitate shorter turnaround for issuance of licences.

- On November 27, 2008, the National Energy Board and the ministry released a joint energy market assessment entitled *Saskatchewan's Ultimate Potential for Conventional Natural Gas*. The assessment estimates Saskatchewan's ultimate potential of marketable conventional natural gas resources at 297.4 billion cubic metres.
- Guidelines were developed to enable deep coal exploratory wells and special potash wells (freeze wells) to be drilled under the existing oil and gas development regulatory regime. These guidelines eliminated the need to develop duplicate regulatory process as well as enabled the wells to be drilled under the established process. Other new policies eliminated the issuance of overlapping Crown dispositions for different Crown minerals where development activities of the various minerals in a geographic area have been deemed incompatible.
- Energy and Resources officials attended meetings (as an international affiliate member) of the Interstate Oil and Gas Compact Commission. The commission is a multi-state government agency in the United States that promotes the conservation and efficient recovery of domestic oil and natural gas resources while protecting health, safety and the environment. The ministry also served on the Interprovincial Petroleum Tenure Committee which meets annually to discuss issues of common concern among Canadian jurisdictions over petroleum and natural gas and carbon storage issues (*commitment made in the Minister's Mandate Letter of November 21, 2007*).
- The ministry continued to review the oil and gas business processes related to its Oil and Gas Systems Review initiative with the intent of rationalizing and enhancing the oil and gas support systems and business processes for both government and industry. All existing oil and gas related business processes and information requirements were reviewed and documented. As a follow-up, the ministry has commenced further evaluation of these business processes to identify areas for future efficiency improvements and streamlining, as well as to document the future business needs of government and all industry stakeholders.

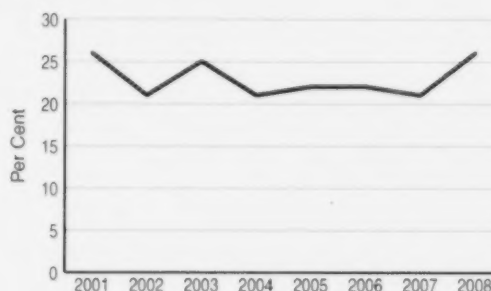
During the year, a thorough evaluation and assessment of the Alberta Petroleum Registry was carried out to determine its potential as an efficient and viable technological solution to satisfy approximately one-third of the ministry's oil and gas reporting and system requirements. An opportunity assessment and business case evaluation outlined the impacts, benefits, risks and costs to the ministry and affected industry stakeholders associated with Saskatchewan fully utilizing existing registry services and processes, as well as developing additional Saskatchewan-specific services and processes fully integrated with the registry.

- Following consultation with industry, the government announced an amendment to *The Pipelines Act, 1998* in the fall of 2008. The proposed amendment expands the definition of pipeline under the Act to include all pipelines used to transport carbon dioxide. This change will facilitate government initiatives related to carbon capture and storage.
- The Saskatchewan Upstream Oil and Gas Industry Flaring and Venting Reduction Committee, made up of oil and gas industry associations and government agencies, developed recommendation reports to improve the industry's efficiency and competitiveness, and to reduce emissions from flaring and venting and fugitive emissions. In 2008-09, the committee recommended the ministry acquire LDAR (Leak Detection and Repair) technology to assist in the efforts of reducing the venting and fugitive emissions from wells and facilities. LDAR technology has since been deployed in the ministry's field operations. Energy and Resources continues to be represented on the Canadian Flaring and Venting Reduction Committee, which is chaired by the National Energy Board (NEB). The committee is developing a national strategy to reduce flaring and venting of associated gas so that the gas may be gathered for sale (*commitments made in the 2008-09 Budget Summary and the Minister's Mandate Letter of November 21, 2007*).

- Industry activity levels were elevated for most of the fiscal year and ministry staff maintained established regulatory approval and compliance processes, including field inspections. Field operations have acquired new technology and training to tackle upcoming environmental and public safety issues. As noted above, LDAR technology allows the rapid detection and location of a natural gas leak from processing equipment at a facility or well and assists the operator to effect repairs.
- The ministry introduced amendments to *The Crown Oil and Gas Royalty Regulations* and *The Freehold Oil and Gas Production Tax Regulations* aimed at clarifying that the Crown royalty and freehold production tax regime introduced on April 1, 2005 for enhanced oil recovery projects applies to projects developed in unconventional resource areas such as oil sands and oil shale. Ministry staff met with individual companies throughout the year to discuss technical and resource assessment issues related to specific unconventional resource plays in the province.
- The ministry participated in investment attraction missions to East Asia, the United States and Europe to promote the province's natural resources and value-added opportunities.
- The province's royalty/tax regime and mineral tenure system were continuously monitored to ensure they remain competitive to stimulate further mineral, oil and gas development. Officials analyzed the competitiveness of the Saskatchewan oil and gas royalty/tax regimes in light of several changes to oil and gas related royalty/tax structures and incentive systems announced by Alberta (*commitment made in the Minister's Mandate Letter of November 21, 2007*).

Measurement Results

Percentage of the oil and gas industry's annual net revenues paid to the Crown as royalties (net revenues include oil and gas revenues net of operating costs)



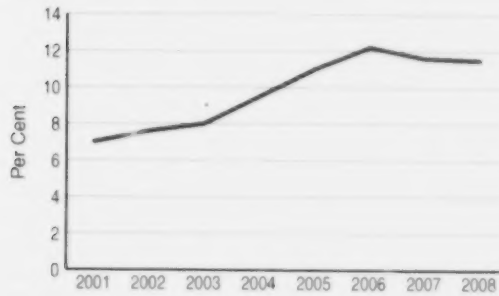
Source: Energy and Resources

This measure reflects the percentage of the oil and gas industry's annual net revenue paid to the Crown. Industry payments to the Crown include oil and gas Crown royalties and freehold production taxes (royalty/tax), land sale revenues and Corporation Capital Tax Resource Surcharge payments (Corporate Income Tax is not included), while industry's annual net revenues include revenue from the sale of oil and gas production net of production costs.

Saskatchewan's fiscal systems are intended to capture a fair share of the revenue from resource development, while encouraging continued investment in and development of resources by ensuring a fair return to producers who extract oil and gas resources. The rate has been relatively stable over the past few years, which has helped to attract investment in support of the government goal of optimum long-term benefit from the development of the province's non-renewable resources. The rate increased significantly to 26.3 per cent in 2008 compared to the previous four years mainly as a result of a significant increase in land sale revenues. That increase in turn was significantly influenced by the increasing interest in the Bakken oil development in southeast Saskatchewan.

External factors that influence this measure include commodity prices as well as the province's competitiveness with other jurisdictions in attracting investment.

Percentage of oil produced in the province due to the implementation of enhanced oil recovery (EOR) projects excluding waterflood projects



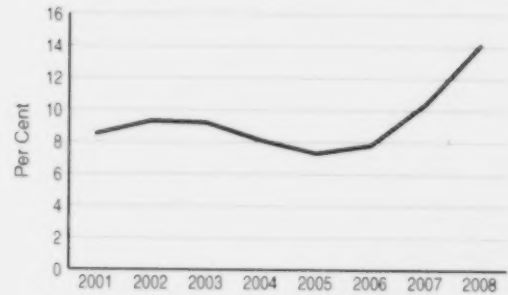
Source: Energy and Resources

This measure reflects the success of companies in increasing the amount of oil recovered from known oil reservoirs in the province through investment in EOR projects, excluding waterflood projects. Enhanced oil recovery projects use specialized technologies such as the injection of steam, carbon dioxide, solvent or other substances into an oil reservoir to improve the recovery of oil that cannot be recovered using conventional methods.

In 2008, the percentage of oil produced in the province from EOR projects remained relatively unchanged at 11.5 per cent of total oil production. The volume of EOR production did increase in 2008; however, so did total provincial oil production, which was at a record level in 2008. The measure supports the responsible management and conservation of petroleum resources to ensure the optimal, long-term benefit from the development of the province's non-renewable resources.

External factors that influence the measure include commodity prices, in particular the price of oil; the success of research and development related to new enhanced recovery techniques; and the risk and cost of a particular EOR project relative to other investment opportunities.

Saskatchewan's share of Western Canadian conventional oil and gas exploration and development expenditures (per cent)



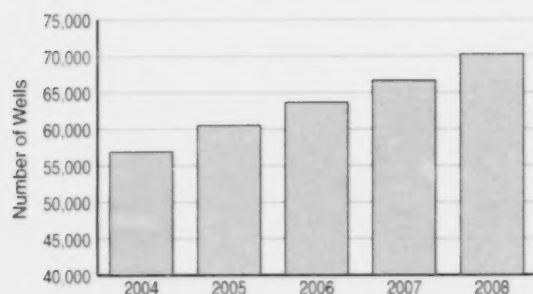
Source: Energy and Resources

This measure reflects Saskatchewan's share of the annual conventional oil and gas exploration and development expenditures in Western Canada and is a good indicator of the province achieving its goal of creating a positive, competitive and innovative environment in which to invest and do business. The measure is also a reflection of the strength and flexibility of the regulatory environment in the province.

Saskatchewan's share increased substantially to 14.1 per cent in 2008 as a result of a significant increase in land sale revenues and record oil production levels.

External factors that influence this measure include competitiveness of fiscal systems, regulatory efficiencies, increased awareness of resource potential, access to undeveloped resources and applicability of new technologies to the resources.

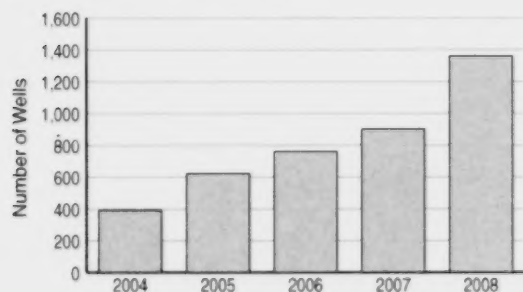
Total Capable Oil and Gas Wells



Source: Energy and Resources

The number of capable oil and gas wells in the province has increased from more than 43,000 wells in 2000 (not shown) to nearly 70,000 wells in 2008 (an increase of more than 60 per cent). This measure is an indicator of demand on the administrative processes and service levels required to perform the ministry's management of resources as the number of wells in the province increases.

Horizontal Oil Well Drilling



Source: Energy and Resources

An indication of technological advances, supported by the ministry, having an impact in our economy is seen in the third year in a row in which a new record number of horizontal wells were drilled in Saskatchewan. The recent downturn in crude oil prices is causing a slowdown in drilling programs but continued application of the new horizontal well drilling and completion technology in the Bakken light oil play in southeast Saskatchewan, and growing interest in the application of this new technology in southwest Saskatchewan and in west central Saskatchewan, mean horizontal drilling levels are expected to remain at a healthy pace.

Exploration and Geological Services

Results

- Interest in potash exploration was renewed when a junior company applied for 14 potash permits. Later, BHP Billiton, the world's largest mining company, partnered with this company resulting in a staking frenzy, with 183 permit applications, covering nearly seven million hectares, being received between 2007 and 2008. A fast trading period ensued, with permits and even simple applications being traded at a healthy profit by many of the original applicants. In large part because of this exceptional and well publicized success, the discovery of a 30 metre thick coal seam resulted in more than 10,000 coal permit applications, covering 7.6 million hectares, being received within three months. Such a flow of applications overwhelmed the system and led to a general review of ministry procedures. Many processing steps were consolidated or eliminated and clients were assigned to specific staff to allow the processing of applications in parallel, rather than through the traditional chronological order (i.e., first-come, first-served). Safeguards were created to ensure that priority of application would be nevertheless enforced with the parallel system. The backlog of potash applications was eliminated by September 2008 and the backlog of coal applications was eliminated by February 2009.
- Areas of Saskatchewan of Phanerozoic age are known to contain shallow pockets of pressurized gases, combustible and/or toxic, which when intersected without precaution can result in serious harm. The ministry developed new safety of surface mineral drilling operations guidelines aimed at mineral and coal exploration activities in the Phanerozoic basin. These guidelines, developed in the context of the ministry's history in regulating drilling under *The Oil and Gas Conservation Regulations, 1985*, were well received by the industry and are posted on the ministry website at <http://www.er.gov.sk.ca/adx.aspx/adxGetMedia.aspx?DocID=10411,10322,10310,10306,3385,5460,2936,Documents&MediaID=25444&Filename=Safety+of+Surface+Mineral+Drilling+Operation+s+final+090213.pdf>

and at

<http://www.er.gov.sk.ca/adx.aspx/adxGetMedia.aspx?DocID=10323,10322,10310,10306,3385,5460,2936,Documents&MediaID=25009&Filename=Coal+Permit+Requirements+Clarification.pdf>

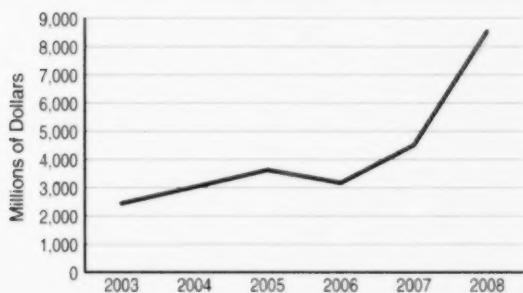
- A draft white paper was developed with the input of the Saskatchewan Potash Producers Association, focusing on subsidence issues and update to the regulations. With the development of subdivisions in rural areas, many within the confine of potash mining leases, control of the effect of ground movements on surface constructions and buried structures became a pressing issue for government and the industry to address. An update to regulations, which date back to 1960, could mean:
 - Existing permits will remain subject to the present requirements, until they lapse, are surrendered or are moved to lease.
 - Existing producing leases will become subject to the new regulations at the renewal of the existing lease, or within five years of the regulation coming into force, whichever comes first.
 - Existing non-producing leases will be immediately subject to the new regulations.
 - New permits and new leases will be subject to the new regulation.
- The effects of a worldwide recession were especially acute for the mining industry. Through the Council of Energy and Mines Ministers, Saskatchewan began work with federal and provincial counterparts in 2008-09 to better document the impacts of the difficulties in the mining/exploration industries as a result of lower commodity prices and difficulties in the equity markets (*commitment made in the Minister's Mandate Letter of November 21, 2007*).
- The Saskatoon 2008 Energy and Mines Ministers' Conference resulted in the start of a project designed to improve the regulatory process. A series of studies were conducted on the triggers for environmental assessment processes and regulatory improvements across Canada. This project has four components: review of polling across Canada and a series of case studies including uranium exploration in Saskatchewan, Nova Scotia, and Newfoundland and Labrador.
- The ministry continues to develop the online, real-time, Mineral Acquisition Registry Saskatchewan system. MARS will allow the province to remain at the forefront of efficiency in terms of mineral exploration, speeding up the acquisition process and making it available any day, any time and at a low cost. MARS will represent significant savings for the industry, by eliminating the costly and time-consuming ground staking required in the unsurveyed area. The MARS software is being developed and the legislation is being overhauled to allow transactions online and allow the creation of digital mineral titles (*commitment made in the 2008-09 Budget Summary*).
- The 2008 Saskatchewan Geological Survey Open House was attended by a record 945 registered delegates, including representatives from Asia, South America and the United States.
- Over the three years that the ministry has been involved in mineral investment attraction initiatives focused on Asia, more than \$60 million has been invested in Saskatchewan mineral exploration projects by companies from China, Japan and Korea. In 2008-09, in co-operation with Enterprise Saskatchewan, Energy and Resources undertook increased mineral investment attraction initiatives in Asia. These activities were designed to:
 - Profile Saskatchewan's mineral sector and the opportunities associated with it;
 - Provide opportunities and support for companies exploring in Saskatchewan to profile projects for which they are seeking potential investors; and,
 - Connect with senior representatives of the Asian mining industry who have invested or are considering investing in Saskatchewan mineral exploration projects.

- Three mineral investment attraction missions to Asia were carried out during the last fiscal year:

- April 2008: Five junior exploration companies participated in a two-week mission to Beijing, Tokyo and Seoul.
- November 2008: Eight junior exploration companies participated in this mission which was focused on the China Mining Conference in Beijing. Companies participated in a series of Team Canada investment attraction events. Several meetings were held with Chinese government agencies involved in mining as well as Chinese industry and investors.
- February 2009: Eight junior exploration companies participated in a mission to Tokyo, Beijing and Shanghai. The mission included meetings with key government agencies and companies in both China and Japan.

Measurement Results

Saskatchewan's production of non-fuel minerals



Source: Energy and Resources

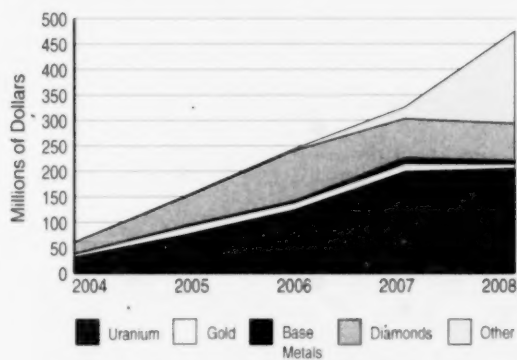
This measure indicates the health of Saskatchewan's producing mines. The performance measured is the total value of minerals sold, as reported by operators, for the main mineral commodities produced in the province, including potash, uranium, coal, precious metals, base metals, salt and sodium sulphate.

The increase in value of sales is due mostly to the increase in potash sales, a direct consequence of the increase in unit price from 2007 to 2008. The value of mineral sales reached \$8.5 billion in 2008, largely due to rising potash demand.

The value of minerals sold is a direct indication of the health of the mineral sector, and influences its ability to expand existing operations, develop new mines and explore for future ones.

Sales of potash are directly affected by the ability and willingness of the market to buy fertilizer. The most important markets for potash are the United States and China and, to a lesser degree, India, Brazil and Europe. The United States and Brazil are free markets, while purchases in China and India are government-driven. Demand can be very elastic, driven by the previous year's farm income.

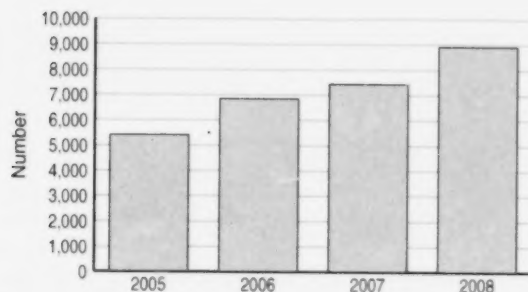
Mineral Exploration in Saskatchewan (Millions of Dollars Invested)



Source: Energy and Resources

This measure tracks mineral exploration for select commodities. The measure indicates demand for Saskatchewan mineral resources and identifies possible future developments. Anticipated 2009 exploration levels are expected to remain fairly strong in the face of world market uncertainties and assisted by the reintroduction of the Mineral Exploration Tax Credit. The ministry continues to monitor the impact of the global recession on the availability of credit and is especially monitoring the effects of recession on smaller exploration companies.

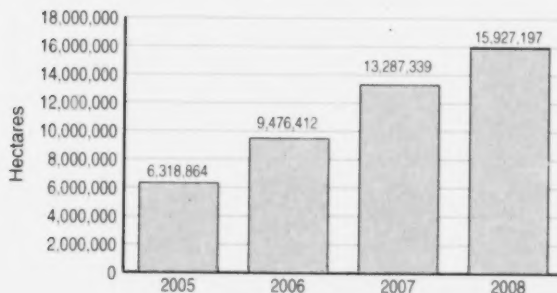
Number of Crown Metallic and Industrial Mineral Dispositions



Source: Energy and Resources

This measure displays how well the ministry copes with the challenges of managing Saskatchewan's vast mineral resources to minimize delays in approvals of new claims, permits and leases, as well as registering ownership transfers to provide important service to industry. Unprecedented growth in the number of Crown-owned mineral dispositions for lands leased and permitted for mineral exploration has led to a challenge in the timely evaluation of new mineral development opportunities, and geologic information gathering used by subsequent mineral disposition holders. Efficiently processed mineral dispositions means improved service to industry and reduces costs to government in terms of delays in the evaluation of new mineral development opportunities and the collection of rentals and fees tied to the issuance of new dispositions.

Area of Crown Metallic and Industrial Mineral Dispositions (in hectares)



Source: Energy and Resources

Increases in the total land area of Crown-owned mineral lands being leased and permitted for mineral exploration is an indication of how rapidly growth in mineral exploration and development activity in Saskatchewan relates to interest in specific commodities. Such activity contributes to increased likelihood of discovery of economically recoverable deposits of minerals.

Resource and Energy Policy

Results

- In 2008-09, work to develop and enhance collaborative relationships with international energy partners continued. Memoranda of Understanding were signed with the China National Petroleum Corporation (CNPC) and the Idaho National Laboratory (INL). The agreement with the CNPC renewed the previous agreement signed in 2004 and established a framework for co-operation on a broad range of topics, such as oil and gas resource investment opportunities, oil and gas technologies and initiatives, research, renewable energy and regulatory information. The agreement with INL provides a mechanism for the government to consider research and demonstration projects on a variety of energy sources and resources, including uranium, nuclear energy, heavy oil, oil shales and oil sands.
- The ministry hosted international delegations interested in natural resources as well as participated in investment attraction missions to China and Japan. In addition, the ministry participated in strategic North American and international energy and economic organizations and conferences, such as the Midwest Legislative Conference, the Energy Council, the Interstate Oil and Gas Compact Commission, the Western Governors' Association and the Pacific Northwest Economic Region.
- The Minister's Mandate Letter of November 21, 2007 directed the creation of a Global Institute for Energy, the Environment, and Natural Resources to develop Saskatchewan's research capacity in uranium and energy resources and build a skilled workforce in these important sectors of the economy. The government continues to work with universities, research institutions and

industry to develop the concept and structure of this institute (*commitment made in the Minister's Mandate Letter of November 21, 2007*).

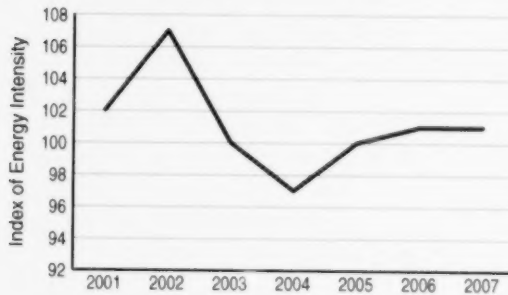
- Energy and Resources encourages research, development and demonstration of new technologies that facilitate increased production and recovery of the province's oil and gas resources and reduce environmental impacts. The Saskatchewan Petroleum Research Incentive Program (SPRI) is to run to the end of March 2010. A total of \$30 million is available under the program over the period from 2005 to 2010 in the form of credits against oil and gas Crown royalties and freehold production taxes payable. Of the \$30 million available under the SPRI program, \$13 million has already been approved, and a number of companies have indicated they will be submitting applications under the SPRI program in the near future. A total of \$27 million in royalty and production tax credits has been approved to support 26 projects conducted by nine companies since the SPRI program began in 1998. Investment varies among different types of projects, but as a general rule, companies have invested at least four to five dollars for every dollar in credits under the SPRI.
- An additional \$1.5 million was provided to the Petroleum Technology Research Centre (PTRC) and the International Test Centre (ITC). Funding was provided as the first increment of a four-year \$3.2 million agreement with the PTRC for capacity development in next generation oil production technologies to maintain future viability of the Saskatchewan oil industry. The ITC, a leader in carbon dioxide capture technology at the University of Regina, received funding to purchase additional research and analytical equipment for its world class research facilities (*commitment made in the 2008-09 Budget Summary*).
- Energy and Resources was actively involved on Green initiatives, with \$1.6 million provided for the following initiatives:
 - The Oil and Gas Industry Upstream Emission Reduction Initiative: This initiative was created to help industry identify low-cost and reliable methods of reducing emissions while improving efficiency and competitiveness. Emission reductions in the oil and gas sector are critical to meet Saskatchewan's

greenhouse gas emission reduction target of having emissions 20 per cent below 2006 levels by 2020. To help identify greenhouse gas (GHG) emission sites and GHG emission reduction opportunities, the ministry purchased four ThermoCAM GasFindIR HSX thermal imaging cameras (LDAR technology) from FLIR Systems (*commitments made in the 2008-09 Budget Summary and the Minister's Mandate Letter of November 21, 2007*).

- The Saskatchewan Phanerozoic Fluids and Petroleum Systems Assessment: This initiative is a five-year agreement with the Petroleum Technology Research Centre (PTRC). The PTRC will undertake a geoscientific study to improve understanding of how and where hydrocarbons in the Saskatchewan subsurface are generated, where and when they migrated over geological time, and where they are currently most likely to be trapped.
- The Sustainable Technologies for Energy Production Systems (STEPS): The federal government has established a new Business-Led Network of Centres of Excellence (NCE) called STEPS, to be led by the PTRC in Regina. The STEPS NCE will expand the PTRC's existing \$3 million per year EOR program to a \$50.5 million program over four years. A grant was provided to the PTRC to allow for renovations and purchase of equipment and furniture.
- The Canadian Clean Power Coalition (CCPC): The ministry joined Phase III of the CCPC project which will evaluate and develop clean coal technologies for use with the province's abundant supplies of lignite coal to generate low-cost, reliable electricity with minimal environmental impact.

Measurement Results

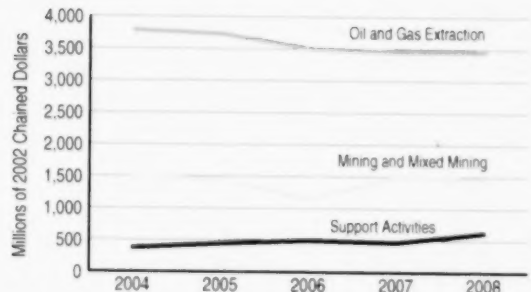
Index of Energy Intensity for Saskatchewan (energy use per unit of output 1990 = 100)



Source: Energy and Resources

This is a measure of the efficiency of energy use in the Saskatchewan economy. Actions such as government programs to improve energy efficiency and encourage energy conservation will reduce energy intensity (energy use per unit of Gross Domestic Product). On a year-to-year basis, energy intensity will fluctuate up and down. Energy intensity may rise temporarily for heating purposes during unusually cold winters. In addition, economic downturns in agriculture due to drought may temporarily raise energy intensity. Due to general improvements in technology, the long-term trend in energy intensity is expected to be declining if economic growth is even across all sectors of the Saskatchewan economy. However, the Saskatchewan economy has at times expanded with disproportionate growth in energy intensive industries which leads to an increase in the energy intensity index. Over the past five years there has been no significant trend in emission intensity and the average index measure of energy intensity is 102 (1990 is the base year of 100). Average energy intensity in the 2001 to 2006 period is lower than during the 1990s when the five-year energy intensity index was 110 for 1990 to 1995 and 110 for 1995 to 2000.

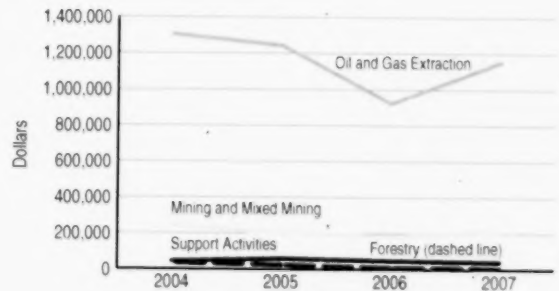
Real Gross Domestic Product by Key Resource Activities, at basic price (in millions of 2002 chained dollars)



Source: Statistics Canada

Note: Forestry GDP fell from \$40 million in 2004 to \$8.8 million in 2007 because of dynamic and negative growth in the sector. As a result, it does not appear on the chart above.

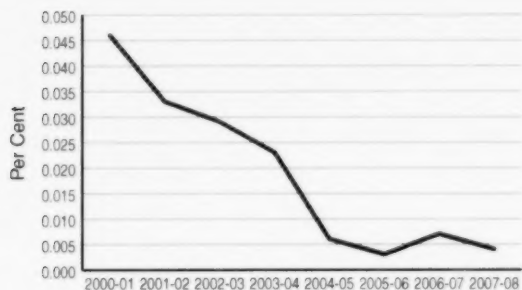
Productivity (Real GDP per hours worked)



Source: Statistics Canada

Real GDP and GDP per worker are standard measures of economic performance. Mining, oil and gas are multi-billion dollar industries in Saskatchewan. Real GDP is based on production levels and reflects prices that move according to the Chain-Fisher method of correcting for inflation. This method does not show the larger price fluctuations that have occurred in recent years. Price fluctuations affect business decisions. For instance, oil that has been more difficult and expensive to extract may become economically viable as companies invest more capital and labour to maintain current levels of production. In the event of increased labour and declining production, real GDP per worker will fall.

Uncollectible Resource Revenues



Source: Energy and Resources

This measure reflects the ministry's ability to ensure all resource revenues owed to the province are collected, and also reflects the financial stability of resource companies carrying on business in Saskatchewan. The lower the percentage means the more successful and stable the operations of both the government and the private sector companies remitting payments to the Crown.

Forestry

Results

- The ministry aided in the construction of infrastructure necessary for the success of the forest industry. The ministry continued to work with other provincial agencies and industry stakeholders to ensure the requirements of the forest industry are factored in to infrastructure planning (*commitment made in the Minister's Mandate Letter of November 21, 2007*).
- The ministry will receive \$7 million of the province's \$36.4 million share of federal Community Development Trust funding. In 2008-09 a three-year \$3.2 million contract was established with FPIInnovations, Canada's largest non-profit forestry research organization, to conduct global market research and scientific analysis specific to Saskatchewan's wood resources and the demands of the global market (*commitment made in the Minister's Mandate Letter of November 21, 2007*).
- The ministry continued to investigate co-generation and bio-mass projects related to wood waste utilization through information sharing, networking and meetings with businesses interested in developing forest-derived energy projects (*commitment made in the Minister's Mandate Letter of November 21, 2007*).
- The ministry provided a more defined accounting of the province's allowable sustainable cut and ensured this government-surveyed inventory would be aimed at finding where Saskatchewan's forest industry fits into the world forestry market. The government is leading the assignment of the Prince Albert Forest Management Agreement (PAFMA) to a multi-shareholder group in order to maximize economic development potential of the PAFMA wood supply and address value-added opportunities and social and economic benefits. The new group is expected to include new and existing Saskatchewan forest companies, independent operators and First Nations representatives. The government also retained outside expertise to evaluate the annual allowable sustainable cut (*commitment made in the Minister's Mandate Letter of November 21, 2007*).
- The ministry continued to increase First Nations involvement in the forest industry by actively working with groups such as Meadow Lake Tribal Council, Agency Chiefs Tribal Council, Montreal Lake Cree Nation, Peter Ballantyne Cree Nation, and Lac La Ronge Indian Band in order to ensure Aboriginal participation and potential ownership roles in Saskatchewan forest industry activities (*commitment made in the Minister's Mandate Letter of November 21, 2007*).

2008-09 Financial Overview

2008-09 Financial Overview

Financial Report (Budgetary Expenditure)

Appropriation and Expenditure by Subvote and Subprogram

Expenditures

Summary of Expenditures				
The following table outlines information on actual and budgeted expenditures by subvote and subprogram, as per the structure for the Ministry of Energy and Resources. Variance explanations are provided for individual variances that are greater than \$100,000.				
<i>in thousands of dollars</i>				
Subvote/Subprogram	Actual Expenditures 2007-08	Original (Revised) ¹ Estimate 2008-09	Actual Expenditures 2008-09	Variance Over/ (Under) 2008-09
ER01 Central Management and Services				
Minister's Salary	\$ -	\$ 43	\$ 43	\$ -
Executive Management	727	710	655	(55)
Central Services	4,107	5,600	5,481	(119) 1
Accommodation Services	3,689	3,133	3,043	(90)
Surface Rights Arbitration Board	144	161	188	27
ER01 Central Management and Services Total	\$ 8,667	\$ 9,647	\$ 9,410	\$ (237)
IR07 Investment Programs				
Mineral Exploration Incentives	\$ 808	\$ -	\$ -	\$ -
ER18 Forestry Development Total	\$ 577	\$ 2,571	\$ 1,378	\$ (1,194) 2
ER04 Revenue and Program Services Total	\$ 3,587	\$ 3,119	\$ 2,970	\$ (149) 3
ER05 Petroleum and Natural Gas Total	\$ 6,247	\$ 6,969	\$ 6,719	\$ (249) 4
ER16 Exploration and Geological Services Total	\$ 5,396	\$ 6,853	\$ 6,808	\$ (46)
ER06 Resource and Energy Policy				
Mineral and Energy Policy	\$ 25,482	\$ 2,749	\$ 2,508	\$ (241) 5
Green Initiatives – Energy	-	2,200	1,622	(578) 6
Energy Sector Initiatives	1,023	1,054	671	(383) 7
Petroleum Technology Research Centre	-	1,000	1,500	500 8
ER06 Resource and Energy Policy Total	\$ 26,505	\$ 7,003	\$ 6,300	\$ (702)
Total Appropriation	\$ 51,787	\$ 36,162	\$ 33,585	\$ (2,577)
Capital Asset Acquisition	(49)	-	-	-
Capital Asset Amortization	4,530	4,528	4,361	(167) 9
Total Expense	\$ 56,268	\$ 40,690	\$ 37,946	\$ (2,744)

¹ Revised Estimates includes Supplementary Estimates of \$1,700,000 to provide an appropriation for the federal Community Development Trust funding for research and market analysis on value-added forestry products; \$439,000 for costs associated with increased activity in the resource sector; and the \$600,000 transfer of funds from Revenue and Program Services to expand Exploration and Geological Services' Northern Geophysical Airborne Survey.

Explanations of Major Variances

- 1 Savings realized from reduced central systems support operating costs.
- 2 Savings realized from deferred projects under the federal Community Development Trust funding.
- 3 Salary and operating savings realized from vacancy management.
- 4 Operating and salary savings related to implementation delays of the Oil and Gas Orphan Fund program.
- 5 Savings realized from the mid-year transfer of the Economic Analysis program to Enterprise Saskatchewan.
- 6 Savings realized to offset Energy Sector Initiatives clean power projects and capital equipment purchase.
- 7 Savings realized with the Petroleum Technology Research Centre's research funding payment issued through the PTRC funding.
- 8 Offset by PTRC funding that was originally allocated in the Energy Sector Initiatives.
- 9 Actuals reflect changes in amortization for items that have been fully expended or amortized.

Description of Third Party Funding

Funding Source	Amount (\$ Thousands)	Description
Petroleum Technology Research Centre	\$ 1,500	Provides funding for core operating and research development to this industry-responsive research organization.
Energy Sector Initiatives	\$ 671	Provides funding to a variety of projects, including climate change initiatives (Climate Ventures, Prairie Adaptation Research Collaborative, Energy Climate Change, IEA Greenhouse Gas R&D Program).
Green Initiatives – Energy	\$ 1,963	Funding to support major technology development activities to reduce the environmental impact of Saskatchewan's fossil fuel industries while contributing to industry efficiency and economic competitiveness.

Summary of Revenues

The ministry collects revenues, on behalf of the government, from the production and sale of Saskatchewan's energy and mineral resources, the sale of Crown mineral rights and other associated taxes, services and fees. All revenue collected is deposited in the General Revenue Fund. A summary of the ministry's 2008-09 budgeted revenue compared to actual revenue is presented below.

Variance explanations are provided for all variances that are greater than \$3.0 million.

The ministry's actual revenue for 2008-09 was \$4.171 billion, an increase of \$2.251 billion over the 2008-09 budget estimate. The most significant reasons for this increase are explained below.

Summary of Revenues <i>in thousands of dollars</i>			
Revenue Category	Budget 2008-09	Actual 2008-09	Variance Over/ (Under)
Non-renewable Resource Revenue			
Oil	\$ 1,247,100	\$ 2,544,316	\$ 1,297,216 1
Natural Gas	118,000	125,922	7,922 2
Potash	352,600	1,364,463	1,011,863 3
Other Minerals	189,200	119,408	(69,792) 4
Total Non-renewable Resource Revenue	\$ 1,906,900	\$ 4,154,109	\$ 2,247,209
Other Own-source Revenue			
Mineral Rights Tax	\$ 8,000	\$ 8,294	\$ 294
Sales, Services and Service Fees	4,952	8,388	3,436 5
Interest and Penalties	70	11	(59)
Other Miscellaneous Revenue	77	181	104
Total Other Own-source Revenue	\$ 13,099	\$ 16,874	\$ 3,775
Total Revenue	\$ 1,919,999	\$ 4,170,983	\$ 2,250,984

Explanations of Major Variances

- Oil revenues increased by \$1.297 billion, primarily due to the average provincial wellhead price of oil being \$16.67 Cdn./bbl higher than budgeted, and much higher bonus bid revenue due to continued industry interest in the Bakken and Shaunavon oil prospects in southern Saskatchewan.
- Natural gas revenues increased by \$7.9 million, primarily due to an increase in natural gas prices (the average fieldgate price of gas being \$0.56 per gigajoule higher than originally budgeted).
- Potash revenues increased by \$1.012 billion, primarily in profit tax due to higher prices (\$402.94/tonne increase over budget).
- Other minerals decreased by \$69.8 million, primarily due to a decrease in the average sales price of uranium and lower sales volume of uranium.
- Sales, Services and Service Fees increased by \$3.4 million, primarily due to an increase in sale of mineral rights for treaty land entitlement lands.

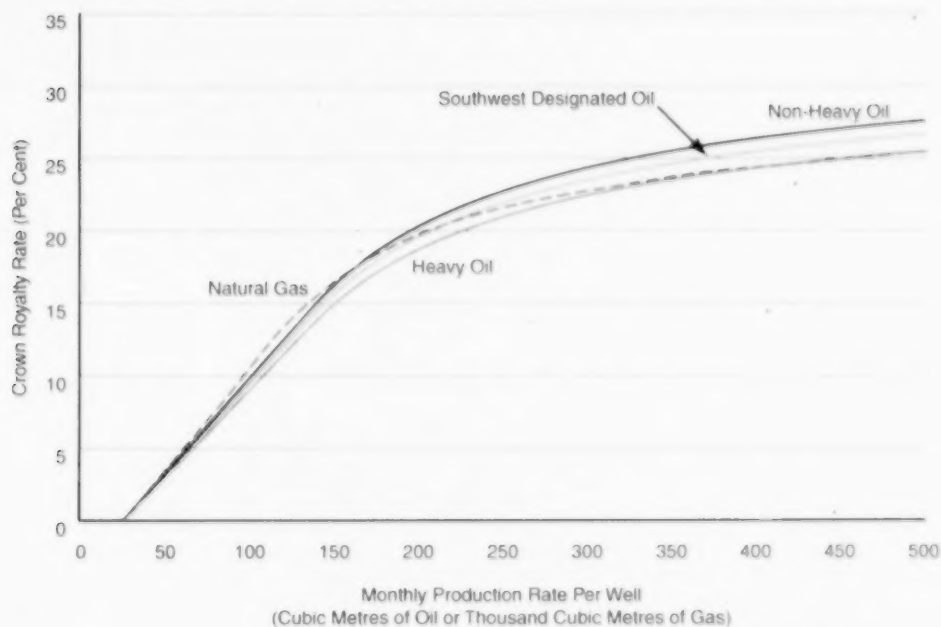
2008-09 Oil and Gas Tables

New Oil and Gas Wells Drilled in 2008

Well Category	Producing	Abandoned	Service	Total
Oil				
Conventional				
Vertical	1,189	60	183	1,432
Horizontal	1,307	11	3	1,321
Total Conventional	2,496	71	186	2,753
Enhanced Oil Recovery (EOR*)				
Vertical	22	9	3	34
Horizontal	33	0	4	37
Total EOR	55	9	7	71
Total Oil Wells	2,551	80	193	2,824
Gas				
Vertical	1,207	11	1	1,219
Horizontal	0	0	2	2
Total Gas Wells	1,207	11	3	1,221
Total Oil and Gas	3,758	91	196	4,045

* EOR means enhanced oil recovery projects such as firefloods, steamfloods and CO₂ floods but excludes waterfloods.

March 2009 Crown Royalty Curves for Wells Drilled After September 2002



Crude Oil and Natural Gas Statistical Summary

Crude Oil	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008 ^a
Production (million cubic metres)	21.7	24.3	24.8	24.4	24.3	24.6	24.3	24.9	24.8	25.6
Remaining Established Reserves (million cubic metres at December 31)	173.0	185.2	185.6	183.6	184.6	190.2	188.8	187.5	N/A	N/A
Value of Sales (\$ millions) ^b	\$3,058	\$5,034	\$3,693	\$4,663	\$4,757	\$5,579	\$6,617	\$7,798	\$8,276	\$13,212
Average Well-Head Price (\$ per cubic metre)	\$140.70	\$207.69	\$149.13	\$190.58	\$195.55	\$227.08	\$272.49	\$314.14	\$333.83	\$518.11
Average WTI Price (\$US per barrel)	\$19.30	\$30.26	\$25.95	\$26.15	\$30.99	\$41.47	\$56.70	\$66.25	\$72.41	\$99.75
Employment – Direct and Indirect (person-years)	15,000	18,600	19,450	18,450	20,175	20,450	22,100	23,925	25,000	27,375
Capital Spending (\$ millions)	\$912	\$1,558	\$1,464	\$1,200	\$1,625	\$1,642	\$2,032	\$2,551	\$2,891	\$4,490
Wells Drilled	1,391	2,396	1,924	1,643	1,877	1,740	2,007	2,340	2,297	2,824
Wells Capable of Producing at December 31	28,300	29,948	31,265	32,351	33,698	34,896	36,545	38,276	40,215	42,638
Wells Actively Producing at December 31	19,032	20,373	20,516	21,398	22,031	22,737	23,195	24,154	25,005	26,149
Provincial Revenues (\$ millions)^c	1999- 2000	2000- 2001	2001- 2002	2002- 2003	2003- 2004	2004- 2005	2005- 2006	2006- 2007	2007- 2008	2008- 2009
Royalty/Tax Revenue	\$565.6	\$712.8	\$477.5	\$727.7	\$590.3	\$784.2	\$952.1	\$1,119.5	\$1,218.6	\$1,583.6
Other Revenue ^d	\$26.4	\$30.6	\$24.2	\$24.5	\$24.9	\$29.8	\$31.5	\$30.0	\$27.6	\$32.5
Oil and Gas Land Sale Revenue ^e	\$48.1	\$55.7	\$53.6	\$110.2	\$159.2	\$93.0	\$141.4	\$169.4	–	–
Total Oil Revenue	\$640.1	\$799.0	\$555.3	\$862.3	\$774.5	\$906.9	\$1,125.0	\$1,318.9	\$1,246.2	\$1,616.1

Crude Oil and Natural Gas Statistical Summary (continued)

Natural Gas	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008^a
Production (million cubic metres) ^a	7,911.2	8,151.6	8,288.9	8,282.9	8,848.3	9,412.9	9,501.5	9,586.0	8,819.0	8,197.8
Remaining Established Reserves (billion cubic metres at December 31)	71.4	77.9	75.0	79.2	77.9	79.1	80.0	N/A	N/A	N/A
Value of Sales (\$ millions) ¹	\$623	\$1,128	\$1,313	\$936	\$1,580	\$1,673	\$2,139	\$1,680	\$1,468	\$1,685
Average Fieldgate Price (\$ per thousand cubic metres)	\$96.47	\$166.18	\$192.74	\$138.57	\$219.15	\$222.70	\$287.36	\$229.98	\$222.13	\$276.99
Employment – Direct and Indirect (person-years)	1,950	2,240	2,600	3,225	3,825	3,590	3,565	3,365	3,100	3,150
Capital Spending (\$ millions)	\$131	\$159	\$197	\$263	\$337	\$339	\$324	\$300	\$237	\$260
Wells Drilled	1,038	1,209	1,409	1,874	2,318	1,942	1,794	1,511	1,156	1,221
Wells Capable of Producing at December 31	11,913	13,421	15,025	17,218	19,871	21,958	23,945	25,346	26,392	27,521
Wells Actively Producing at December 31	9,329	10,498	12,070	13,706	15,168	16,601	17,890	18,692	19,537	20,328
Provincial Revenues (\$ millions)	1999- 2000	2000- 2001	2001- 2002	2002- 2003	2003- 2004	2004- 2005	2005- 2006	2006- 2007	2007- 2008	2008- 2009
Royalty/Tax Revenue	\$91.8	\$239.3	\$129.1	\$152.7	\$210.5	\$212.4	\$269.1	\$165.1	\$133.8	\$125.9

Crude Oil and Natural Gas Statistical Summary (continued)

Total Crude Oil and Natural Gas	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008*
Value of Sales (\$ millions) ¹	\$3,682	\$6,162	\$5,006	\$5,598	\$6,337	\$7,252	\$8,756	\$9,479	\$9,744	\$14,897
Employment – Direct and Indirect (person-years)	16,950	20,840	22,050	21,675	24,000	24,040	25,665	27,290	28,100	30,525
Capital Spending (\$ millions)	\$1,043	\$1,717	\$1,661	\$1,463	\$1,963	\$1,982	\$2,356	\$2,851	\$3,128	\$4,750
Wells Drilled	2,429	3,605	3,333	3,517	4,195	3,682	3,801	3,851	3,453	4,045
Wells Capable of Producing at December 31	40,213	43,369	46,290	49,569	53,569	56,854	60,490	63,622	66,607	70,159
Wells Actively Producing at December 31	28,361	30,871	32,586	35,104	37,199	39,338	41,085	42,846	44,542	46,477
Provincial Revenues (\$ millions)²	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Royalty/Tax Revenue	\$657.4	\$952.1	\$606.6	\$880.4	\$800.8	\$996.6	\$1,221.2	\$1,284.6	\$1,352.4	\$1,709.5
Other Revenue ³	\$26.4	\$30.6	\$24.2	\$24.5	\$24.9	\$29.8	\$31.5	\$30.0	\$27.6	\$32.5
Oil and Gas Land Sale Revenue ⁴	\$48.1	\$55.7	\$53.6	\$110.2	\$159.2	\$93.0	\$141.4	\$169.4	\$419.1	\$928.2
Total Oil and Gas Revenue	\$731.9	\$1,038.4	\$684.4	\$1,015.0	\$984.9	\$1,119.4	\$1,394.0	\$1,484.0	\$1,799.0	\$2,670.2

¹ Crude oil sales are at the well-head and natural gas sales are at the fieldgate and gas plant inlets.

² Numbers may not add due to rounding.

³ Other revenue includes lease rentals, net royalty payments, compensatory royalties and delinquent report charges.

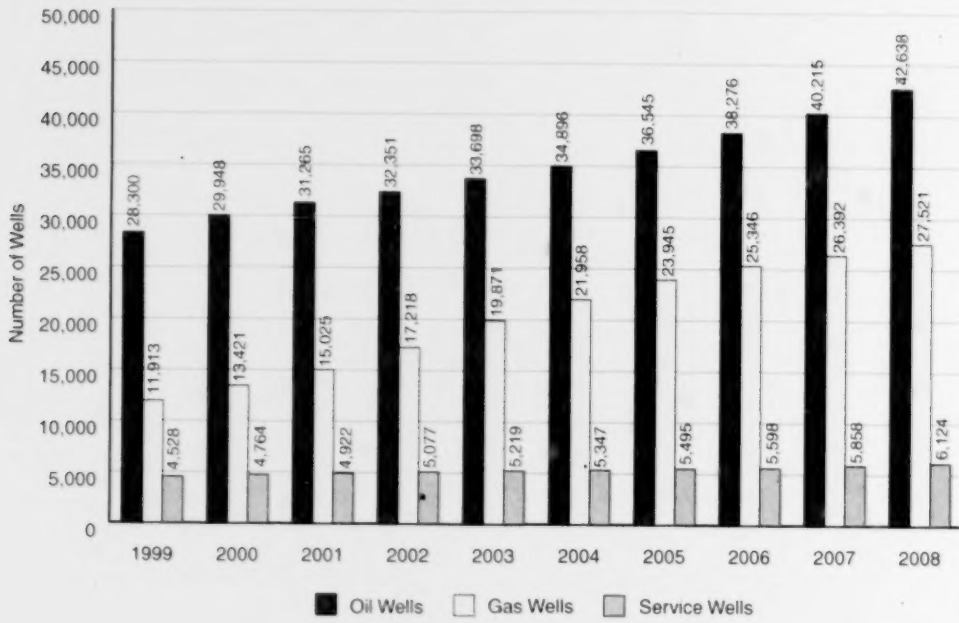
⁴ Oil and gas land sale revenue was included as part of oil revenue prior to 2007-08. Starting in 2007-08, oil and gas land sale revenue is reported as a separate line item.

⁵ Natural gas production includes associated and non-associated gas.

⁶ - The 2008 numbers are based on actuals where available.

N/A Not Available

Wells Capable of Production/Injection



2008-09 Mineral Tables

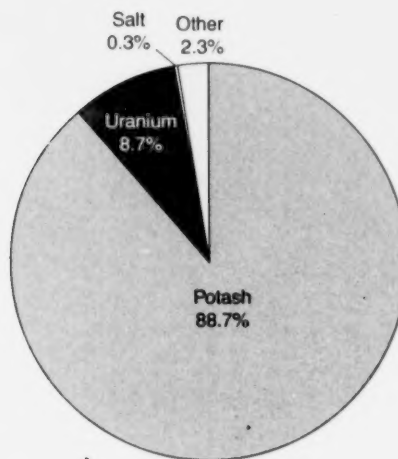
Crown Metallic and Industrial Mineral Dispositions

	As of March 31, 2007		As of March 31, 2008		As of March 31, 2009	
	Number	Area (hectares)	Number	Area (hectares)	Number	Area (hectares)
Mineral Claims	6,283	9,612,733	7,706	11,951,660	6,881	10,259,405
Mineral Permits	64	2,382,844	30	1,120,918	12	289,606
Mineral Leases	76	25,098	86	26,754	79	27,805
Alkali Leases	35	12,423	35	12,423	35	12,421
Coal Dispositions	785	118,945	777	118,697	4,546	2,840,959
Quarry Dispositions	144	15,666	177	39,593	378	66,505
Potash Leases	11	254,967	11	254,467	15	337,433
Potash Permits	30	864,663	87	2,402,685	176	4,127,833
Total	7,428	13,287,339	8,909	15,927,197	12,122	17,961,967
Transfers and Change of Name	1,639	5,047,686	1,113	4,446,679	756	3,329,191

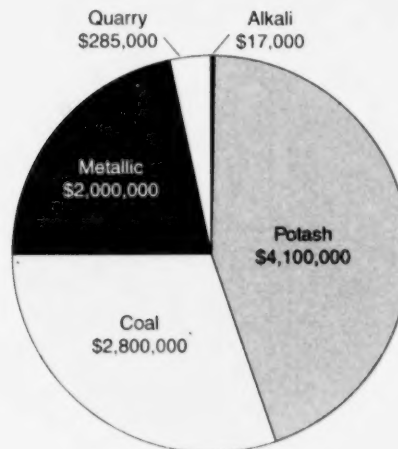
Exploration Expenditures

Commodity	2006 Actual Expenditures (\$ Millions)	2007 Actual Expenditures (\$ Millions)	2008 Actual Expenditures (\$ Millions)
Uranium	\$123.7	\$199.2	\$204.4
Gold	13.8	15.3	8.9
Base Metals	3.9	11.5	6.8
Diamonds	98.8	76.6	73.2
Others	3.4	22.6	180.7
Total	\$243.6	\$325.2	\$473.9

Value of Mineral Sales 2008 – \$9.36 Billion (estimate)



Crown Tenure Fees 2008 – \$9.20 Million



Major Saskatchewan Resource Industries

Statistical Summary – Minerals, Fiscal Year

(Millions of dollars unless otherwise noted)

Potash	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Production (thousand tonnes of K ₂ O)	7,909.0	8,721.0	7,799.0	8,154.0	8,638.0	9,638.1	10,133.2	7,919.2	10,342.0	10,147.0
Value of Sales	\$1,682.0	\$1,744.0	\$1,622.0	\$1,718.0	\$1,632.0	\$2,167.8	\$2,696.8	\$2,209.8	\$3,055.5	\$8,302.8
Royalty/Tax (See Note 1)	\$269.5	\$199.3	\$179.7	\$175.1	\$120.2	\$305.5	\$278.0	\$161.7	\$348.3	\$1,364.0
Direct Employment (number)	3,081	3,035	3,061	3,044	3,188	3,196	3,295	3,375	3,033	3,838
Capital Spending	\$101	\$107	\$109	\$98	\$111	\$197	\$332	\$473	\$557	\$1,025
Uranium	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Production (thousand tonnes of U ₃ O ₈)		12.20	15.10	13.70	12.40	13.60	13.64	12.08	11.08	10.50
Value of Sales	See Note 2	\$419.20	\$561.80	\$593.10	\$543.50	\$576.80	\$643.80	\$629.40	\$1,106.47	\$956.20
Royalty/Tax (See Note 1)		\$38.7	\$22.7	\$29.2	\$14.4	\$24.5	\$29.8	\$30.1	\$70.2	\$90.1
Direct Employment (number)		1,555	1,307	1,316	1,413	1,579	1,915	2,179	2,167	2,532
Capital Spending		\$49	\$48	\$33	\$49	\$119	\$293	\$253	\$331	\$310
Salt	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Production (thousand tonnes)	755.9	745.9	823.4	920.3	1,004.6	1,122.8	1,123.6	1,160.3	1,166.0	1,311.1
Value of Sales	\$19.8	\$20.1	\$21.0	\$21.4	\$22.7	\$22.4	\$24.6	\$27.4	\$26.3	\$29.5
Royalty/Tax (See Note 1)	\$0.8	\$0.8	\$0.8	\$1.0	\$0.9	\$1.1	\$1.1	\$1.1	\$1.1	\$1.3
Direct Employment (number)	185	178	164	180	182	179	179	207	163	142
Sodium Sulphate	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Production (thousand tonnes)	282.9	244.5	160.4	185.3	171.4	134.2				
Value of Sales	\$25.7	\$23.0	\$22.0	\$23.0	\$20.0	\$17.2		See Note 2		
Royalty/Tax (See Note 1)	\$1.2	\$1.0	\$1.0	\$0.9	\$0.5	\$0.6				
Direct Employment (number)	119	104	60	56	56	50				
Other (See Note 2)	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Production (million tonnes)	11.7	11.2	11.4	11.4	10.7	11.6	11.2	10.6	10.6	10.0
Value of Sales	\$672.6	\$194.8	\$203.0	\$213.0	\$214.8	\$229.4	\$256.1	\$228.7	\$189.9	\$217.0
Royalty/Tax (See Note 1)	\$39.9	\$14.4	\$14.5	\$22.6	\$20.0	\$23.0	\$18.2	\$17.9	\$23.2	\$30.0
Direct Employment (number) (See Note 3)	2,505	696	662	723	712	721	742	890	853	1,074
Capital Spending	\$273	\$18.2	\$20.5	\$46.4	\$34.4	\$37.7	\$32.8	\$85.2	–	–
Exploration Expenditure (See Note 4)	\$28.4	\$24.2	\$22.9	\$30.1	\$31.3	\$60.8	\$150.0	\$243.6	\$325.30	\$473.9

Major Saskatchewan Resource Industries (continued)

Statistical Summary – Minerals, Fiscal Year

Notes

Note 1

Sales Values and Royalty/Tax are reported for fiscal year beginning in the year shown, remaining entries are calendar year.

Note 2

Confidentiality requirements pursuant to *The Crown Minerals Act* do not permit commodity-specific information to be released where there are fewer than three producing companies. This information is aggregated and presented in the "Other" category which includes Bentonite, Quarriable Materials, Coal, Uranium (for 1998 and 1999), Sodium Sulphate (for 2005, 2006, 2007 and 2008), and Precious and Base Metals.

Note 3

Approximately 300 additional Saskatchewan residents are employed at the Hudbay operations in Flin Flon, Manitoba.

Note 4

Total exploration spending for all commodities.

Non-Ministry Data Sources:

Employment information was derived from information from the Ministry of Advanced Education, Employment and Labour (annual average).

Some Capital Spending figures were derived from the Natural Resources Canada Expenditure Survey.

Where to Obtain Additional Information

This report provides information about our accomplishments. If you have any questions or comments, or would like additional copies of the report, we invite you to call (306) 787-1691.

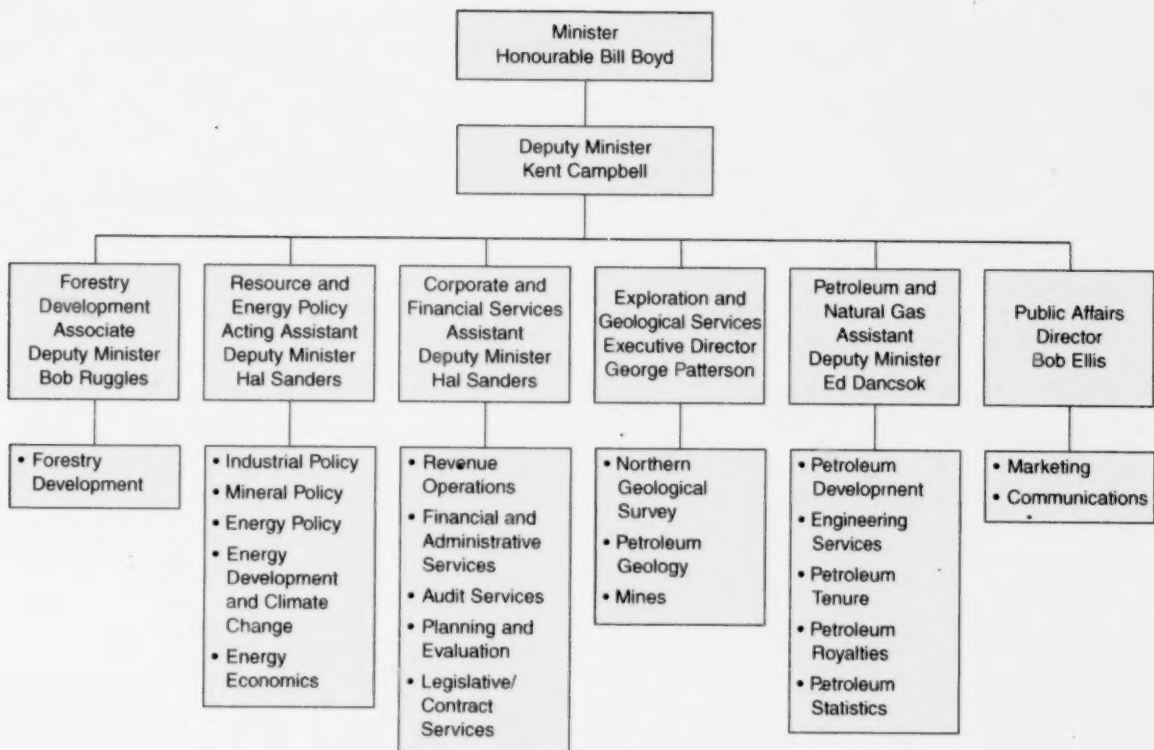
Or contact:

Ministry of Energy and Resources
Public Affairs
2nd Floor
2103 11th Avenue
Regina, SK S4P 3Z8

Or send us an e-mail through our website:
www.er.gov.sk.ca

Appendices

Internal Organization as of March 31, 2009



Legislative Responsibilities

The legislated mandate of the ministry and responsibilities of the Minister are set out in the following Acts, and regulations made pursuant to those Acts.

The Crown Minerals Act allows for the leasing of Crown mineral rights and provides the authority to collect royalties on Crown dispositions.

The Energy and Mines Act provides the Minister with the responsibility for the exploration for, and the development, management and conservation of, non-renewable resources, and the development, management and conservation of energy.

The Freehold Oil and Gas Production Tax Act provides the authority to tax freehold oil and gas and recovered crude oil in the province.

The Mineral Resources Act, 1985 provides for the orderly exploration for, and the development, conservation, management of, the primary production of mineral resources in Saskatchewan.

The Mineral Taxation Act, 1983 provides authority to tax mineral production and mineral rights.

The Oil and Gas Conservation Act allows for the orderly exploration for, and the development of, oil and gas in the province and optimization of recovery of these resources.

The Pipelines Act, 1998 provides the authority regarding the construction, operation and abandonment of oil, natural gas and other pipelines.

The Reclaimed Industrial Sites Act establishes the legal framework to return Crown land held under surface lease back to the province when mining and reclamation activities have been completed.

The Surface Rights Acquisition and Compensation Act provides the authority regarding comprehensive procedure for acquiring surface rights; for the payment of just and equitable compensation for the acquisition of surface rights; and for the maintenance and reclamation of the surface of land acquired in connection with surface rights acquired under this Act.

The Minister of Energy and Resources also has joint responsibilities for sections of several other Acts which are required for the purpose of administering certain programs and regulations.

Ministry of Energy and Resources Offices

Regina

Head Office
2103 – 11th Avenue
Regina, SK S4P 3Z8

Financial Building
2101 Scarth Street
Regina, SK S4P 2H9

Subsurface Geological Laboratory
201 Dewdney Avenue East
Regina, SK S4N 4G3

Estevan

Area 4 Field Office
1302 – 3rd Street
Estevan, SK S4A 0S5

Swift Current

Area 3 Field Office
350 Cheadle Street West
Swift Current, SK S9H 4G3

Kindersley

Area 2 Field Office
113 – 2nd Avenue East
Kindersley, SK S0L 0S0

Lloydminster

Area 1 Field Office
4815 – 50th Street
Lloydminster, SK S9V 0M8

La Ronge Office

1310 La Ronge Avenue
La Ronge, SK S0J 1L0

Creighton Office

P.O. Box 70
298 – 1st Street East
Creighton, SK S0P 0A0

Publications

The Ministry of Energy and Resources distributed the following publications during the reporting year:

Geological Publications

- 2008 Weekly Drill Activity Report E-mail
- 2008-4.1: Summary of Investigations 2008, Volume 1 CD-ROM and web post
- 2008-4.2: Summary of Investigations 2008, Volume 2 web post and map package
- 2008-7: Geological Atlas of Saskatchewan Version 11 CD-ROM
- 2008-8: Saskatchewan's Ultimate Potential for Conventional Natural Gas; released in conjunction with the National Energy Board

Open Files

- 2007-23 to 29: Geophysical Series, Cree Lake South Geophysical Survey, Saskatchewan, released in conjunction with the Geological Survey of Canada
- 2008-30 to 36: Geophysical Series, North Hanson Geophysical Survey, Saskatchewan, released in conjunction with the Geological Survey of Canada
- 2008-1: Till Geochemistry from Archived Samples Collected Over the La Ronge and Rottenstone Domains, Central Saskatchewan, released in conjunction with the Geological Survey of Canada
- 2008-2: Mississippian Subcropping Units – Southeastern Saskatchewan
- 2008-3: Geology of the Thluicho Lake Group in the Waterloo-Wellington Lakes Area
- 2008-4: Metamorphic Map of Northern Saskatchewan, released in conjunction with the Geological Survey of Canada
- 2008-5: Geological Compilation of the Uranium City Area

- 2009-24: Isopach Map of the Patience Lake Member of the Prairie Evaporite Formation
- 2009-25: Isopach Map of the Esterhazy Member of the Prairie Evaporite Formation
- 2009-26: Isopach Map of the Belle Plaine Member of the Prairie Evaporite Formation
- 2009-27: Salt-back Thickness Map of the Patience Lake Member of the Prairie Evaporite Formation
- 2009-28: Salt-back Thickness Map of the Esterhazy Member of the Prairie Evaporite Formation
- 2009-29: Salt-back Thickness Map of the Belle Plaine Member of the Prairie Evaporite Formation

For more information on geological publications, contact:

Ministry of Energy and Resources
Geological Publications
2101 Scarth Street
Regina, SK S4P 2H9

Tel: (306) 787-2528
Fax: (306) 787-2488

E-mail: er.publications@gov.sk.ca

Other

- Department annual reports

For more information, contact:

Ministry of Energy and Resources
Public Affairs
2103 11th Avenue
2nd Floor
Regina, SK S4P 3Z8

Tel: (306) 787-1691
Fax: (306) 787-2198

